

Message Text

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ACTION IO-14

INFO OCT-01 EUR-12 ISO-00 L-03 AF-10 ARA-10 EA-10
NEA-11 AID-05 EB-08 CIAE-00 INR-10 NSAE-00 TRSE-00
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R 200928Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 1059
INFO USMISSION USUN NEW YORK
AMEMBASSY STOCKHOLM

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E.O. 11652: N/A
TAGS: UNDP, EAID, SW
SUBJECT: UNDP GOVERNING COUNCIL; AGENDA ITEM 17, SWEDISH
FUNDING PROPOSAL

REF: STATE 152536

1. SWEDISH DELOFF ON 6/14 SHOWED US DELOFFS (NORRIS AND FALKNER) UNOFFICIAL TEXT OF THEIR PROPOSAL FOR IMPROVING UNDP'S FINANCIAL BASIS THROUGH MULTI-YEAR FUNDING. DOCUMENT ALSO CONTAINED PROVISION FOR OPENING OF DISCUSSIONS ON BURDEN SHARING AMONG MAJOR DONORS. US DELOFFS EXPLAINED THAT SEVERAL SUGGESTIONS IN THE SWEDISH DRAFT WERE VERY UNREALISTIC IN VIEW OF OUR BUDGETARY PROCSS AND POINTED OUT THA OTHER WEO DONORS WOULD HOLD SIMILAR RESERVATIONS. US DEL OFFERED TO PROVIDE A COUNTER DRAFT IN THE NEXT DAY OR TWO.

2. WITHOUT WAITING FOR US PAPER SWEDISH DELEGATION HAS HAD ITS PROPOSAL (NOW CLEARED BY GOS) CIRCULATED BY UNDP AS A B & F COMMITTEE CONFERENCE ROOM PAPER. DOCUMENT CALLS FOR A CHANGE IN UNDP'S PRESENT PLEDGING AND FINAN-
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CIAL PLANNING PROCEDURES AND SUGGESTS FOLLOWING:

(A) UNDP'S BUDGET AND FINANCE COMMITTEE COULD MEET BRIEFLY IN THE FIRST QUARTER OF THE YEAR IN ORDER TO RECOMMEND TO THE GOVERNING COUNCIL (GC) DESIRABLE LEVELS OF CONTRIBUTIONS AND EXPENDITURES FOR THE FOLLOWING YEAR, BASED ON THE FIVE YEAR TOTAL SET BY THE GOVERNING

COUNCIL FOR THE CYCLE.

(B) REPLACE NOVEMBER PLEDGING CONFERENCES BY AN ANNUAL MEETING IN MAY. CONCLUSIONS OF THE B & F COMMITTEE WOULD BE CIRCULATED WELL IN ADVANCE OF THIS MEETING.

(C) GC IN JUNE WOULD DISCUSS MEASURES THAT MIGHT BE NECESSARY IN VIEW OF THE MAY PLEDGING RESULTS.

3. IN DISCUSSING ALTERNATIVE MODELS FOR FUND RAISING, PAPER STATES THAT THE PRESENT SYSTEM OF ONE YEAR PLEDGES AND A FIVE YEAR EXPENDITURE TARGET WOULD REQUIRE THE BUILDING OF A LARGE, UNPROGRAMMED OPERATIONAL RESERVE TO MEET IPF REQUIREMENTS. A SECOND MODEL SUGGESTS BINDING COMMITMENTS FROM DONORS FOR THE WHOLE FIVE YEARS QUOTE AND FOLLOWING NEGOTIATIONS ON THE DISTRIBUTION OF SHARES UNQUOTE. PAPER DISPENSES WITH THESE MODELS AS FINANCIALLY UNSOUND IN THE FIRST USE AND UNACCEPTABLE TO GOVERNMENTS IN THE SECOND.

4. A THIRD MODEL, ALREADY EMPLOYED BY A FEW GOVERNMENTS, IS THE PRACTICE OF COMMITTING CONTRIBUTIONS FOR THREE YEARS, GENERALLY SUBJECT TO PARLIAMENTARY APPROVAL. IN THIS MODEL, INCREASES FOR THE SECOND AND THIRD YEARS HAVE SOMETIMES BEEN ANNOUNCED AT THE SAME TIME. PAPER STATES THAT THIS APPROACH, IF ADOPTED BY THE MAJORITY OF DONORS WOULD SUBSTANTIALLY IMPROVE UNDP'S LONG-TERM LIMITED OFFICIAL USE

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PLANNING.

5. SWEDISH DELEGATION, HOWEVER, WANTS TO CHAMPION A MORE RIGID SYSTEM. THEY PROPOSE A SYSTEM OF INTER-GOVERNMENT AGREEMENTS ON THE LEVEL OF CONTRIBUTIONS REQUIRED FOR EACH OF THE FOLLOWING THREE YEARS. GOVERNMENTS WOULD THEN MAKE THREE YEAR COMMITMENTS FOR SUPPORT OF UNDP. THE EXACT DESIGN WOULD, HOWEVER, TAKE INTO ACCOUNT VARYING CONSTITUTIONAL RESTRAINTS OF INDIVIDUAL STATES. RELATIVE SHARES WOULD ALSO BE WORKED OUT SO AS TO SHARE THE BURDEN.

6. SWEDISH PROPOSAL IS ANOTHER IN A LINE OF RECENT STEPS TAKEN TO TRY TO REDUCE THEIR SHARE OF THE TOTAL FUNDING OF UNDP. SWEDES, IN PARTICULAR, ARE SAID TO HAVE A DOMESTIC POLITICAL PROBLEM, DUE TO HAVING MET THE ONE PERCENT ODA GOAL AND TWO RECENT DEVALUATIONS, WHICH MAKES LESS LIKELY FURTHER GENEROUS INCREASES IN CONTRIBUTIONS. SWEDISH PROPOSAL MAY BE SEEN (AS IT HAS BEEN BY FRG) AS AN ATTEMPT TO PUSH THIS DOMESTIC PROBLEM ONTO OTHER DONORS, I.E., A LOWER RATE OF INCREASES BY SWEDEN FOR CONTRIBUTIONS UNDER A BURDEN SHARING PLAN, WHICH STILL ADDS TO

UNDP'S RESOURCES OVERALL, WOULD SPARE SWEDEN FROM CRITICISM. WITHOUT BURDEN SHARING TO MASK AN EXPECTED LEVELING OFF OR ONLY MINOR INCREASES IN CONTRIBUTIONS, THEY MAY BECOME SUBJECT TO CRITICISM FOR FAILING TO MEET THE 14 PERCENT ANNUAL GROWTH RATE IN UNDP RESOURCES.

7. SIMULTANEOUS WITH SWEDISH PROPOSAL, UNDP CIRCULATED ITS REPORT ON FUNDING MECHANISMS EMPLOYED BY THE IBRD, IDA, IFAD AND REGIONAL DEVELOPMENT BANKS.

8. USDEL HAS SPOKEN WITH CANADIANS, FRG AND FRENCH WHO ARE VERY UNHAPPY WITH SWEDISH PROPOSAL. WE AGREED SWEDISH

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SUGGESTION NOT ONLY IS IMPRACTICAL IN VIEW OF RESPECTIVE GOVERNMENT'S TIMING OF THE BUDGET PROCESS, BUT THAT ADDITIONAL MEETINGS (B AND F COMMITTEE) ARE UNWARRANTED. MOST IMPORTANTLY, OUR ANALYSES COINCIDE THAT SWEDISH PAPER, REQUIRING AS IT DOES BURDEN SHARING QUOTAS AND FINANCIAL COMMITMENTS, IS CONTRARY TO THE PRINCIPLE OF VOLUNTARY FUNDING OF UNDP. VANDEN HEUVEL

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